FIRST SPONSOR GROUP LIMITED
(Incorporated in the Cayman Islands)
(Registration No. AT-195714)

UNAUDITED FIRST QUARTER FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2016

PART I – INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

1(a) An income statement and statement of comprehensive income, for the group, together with comparative statements for the corresponding period of the immediately preceding financial year.

	The Group Three months ended 31 March		
	2016 S$'000	**2015 S$'000**	**Incr / (Decr) %**
Revenue	45,557	12,650	260.1
Cost of sales	(31,199)	(2,069)	1407.9
Gross profit	14,358	10,581	35.7
Administrative expenses	(7,253)	(3,732)	94.3
Selling expenses	(2,724)	(1,455)	87.2
Other (expenses)/income	(1,518)	4,822	n.m.
Other (losses)/gains	(4)	278	n.m.
Results from operating activities	2,859	10,494	(72.8)
Finance income	8,039	5,320	51.1
Finance costs	(1,874)	(913)	105.3
Net finance income	6,165	4,407	39.9
Share of after-tax profit of associates	6,842	-	n.m.
Profit before tax	15,866	14,901	6.5
Tax expense	(3,239)	(4,007)	(19.2)
Profit for the period	12,627	10,894	15.9
Attributable to:			
Equity holders of the Company	12,233	10,730	14.0
Non-controlling interests	394	164	140.2
Profit for the period	12,627	10,894	15.9
Earnings per share (cents)			
- **basic**	2.07	1.82	14.0
- **diluted**	2.07	1.82	14.0

n.m.: not meaningful

The initial public offering of the Company's shares was sponsored by DBS Bank Ltd., who assumes no responsibility for the contents of this announcement.

Consolidated Statement of Comprehensive Income

	The Group Three months ended 31 March 2016 S$'000	2015 S$'000
Profit for the period	12,627	10,894
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Realisation of foreign currency translation differences arising from liquidation of a subsidiary, net of tax	-	(403)
Share of translation differences on financial statements of associates, net of tax	(42)	-
Translation differences on financial statements of foreign subsidiaries, net of tax	(35,124)	30,709
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	(2,040)	1,908
Total other comprehensive income for the period, net of tax	(37,206)	32,214
Total comprehensive income for the period	(24,579)	43,108
Total comprehensive income attributable to:		
Equity holders of the Company	(24,930)	43,134
Non-controlling interests	351	(26)
Total comprehensive income for the period	(24,579)	43,108

Notes to the Group's Income Statement:

Profit before tax includes the following:

	The Group Three months ended 31 March	
	2016 S$'000	2015 S$'000
Other (losses)/gains comprise:		
Property, plant and equipment written off	(4)	(7)
Gain on liquidation of a subsidiary	-	285
	(4)	278
Profit before income tax includes the following expenses/(income):		
Depreciation of property, plant and equipment	324	407
Exchange gains (net)	(160)	(691)
IPO expenses written back	-	(562)
Operating lease expense	106	99
Net investment return from a PRC government linked entity	(480)	(4,076)

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	The Group		The Company	
	As at 31 March 2016 S$'000	**As at 31 December 2015 S$'000**	**As at 31 March 2016 S$'000**	**As at 31 December 2015 S$'000**
Non-current assets				
Property, plant and equipment	155,065	151,110	-	-
Investment properties	243,509	245,624	-	-
Interests in subsidiaries	-	-	881,329	881,329
Interests in associates	21,041	14,426	-	-
Amounts due from subsidiaries	-	-	211,843	287,222
Other receivables	189,162	310,327	-	-
Deferred tax assets	7,092	7,368	-	-
	615,869	728,855	1,093,172	1,168,551
Current assets				
Development properties	634,469	660,187	-	-
Inventories	166	148	-	-
Amounts due from subsidiaries	-	-	133,939	133,696
Trade and other receivables	274,934	299,560	787	1,653
Cash and cash equivalents	137,977	112,044	1,557	1,257
	1,047,546	1,071,939	136,283	136,606
Total assets	1,663,415	1,800,794	1,229,455	1,305,157
Equity				
Share capital	736,404	736,404	736,404	736,404
Reserves	213,404	238,334	53,021	37,637
Equity attributable to owners of the Company	949,808	974,738	789,425	774,041
Non-controlling interests	3,710	3,359	-	-
Total equity	953,518	978,097	789,425	774,041
Non-current liabilities				
Loans and borrowings	236,830	260,824	205,558	229,181
Derivative liability	2,036	3,327	2,036	3,327
Deferred tax liabilities	11,269	11,963	-	-
	250,135	276,114	207,594	232,508
Current liabilities				
Amounts due to subsidiaries	-	-	77,520	80,447
Trade and other payables	126,613	127,838	2,823	1,881
Receipts in advance	162,228	182,059	-	-
Loans and borrowings	152,093	216,280	152,093	216,280
Current tax payable	18,828	20,406	-	-
	459,762	546,583	232,436	298,608
Total liabilities	709,897	822,697	440,030	531,116
Total equity and liabilities	1,663,415	1,800,794	1,229,455	1,305,157

1(b)(ii) Aggregate amount of the Group's borrowings and debt securities.

The Group's net borrowings refer to aggregate borrowings from banks and financial institutions, after deducting cash and cash equivalents. Unamortised balance of transaction costs have not been deducted from the gross borrowings.

	The Group	
	As at 31 March 2016 S$'000	**As at 31 December 2015 S$'000**
Unsecured		
- repayable within one year	152,093	216,280
- repayable after one year	205,463	229,181
Total	357,556	445,461
Secured		
- repayable within one year	-	-
- repayable after one year	31,367	31,643
Total	31,367	31,643
Grand total	**388,923**	**477,104**
Gross borrowings	392,006	480,892
Less: cash and cash equivalents as shown in the statement of financial position	(137,977)	(112,044)
Net borrowings	254,029	368,848

Details of any collateral

Secured borrowing is secured by a mortgage on a subsidiary's investment property, assignment of its bank accounts, lease receivables and insurance proceeds (where applicable).

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Three months ended 31 March 2016 S$'000	Three months ended 31 March 2015 S$'000
Cash flows from operating activities		
Profit for the period	12,627	10,894
Adjustments for:		
Depreciation of property, plant and equipment	324	407
Fair value gain on derivative liability	(1,291)	-
Finance costs	1,874	913
Finance income	(8,039)	(5,320)
Property, plant and equipment written off	4	7
Gain on liquidation of a subsidiary	-	(285)
Share of after-tax profit of associates	(6,842)	-
Tax expense	3,239	4,007
	1,896	10,623
Change in working capital:		
Development properties	5,291	(28,131)
Inventories	(24)	(40)
Trade and other receivables	48,701	(84,804)
Trade and other payables	(8,739)	(23,723)
Receipts in advance	(14,129)	41,257
Cash generated from/(used in) operations	32,996	(84,818)
Interest received	2,000	6,277
Tax paid	(3,866)	(3,525)
Net cash generated from/(used in) operating activities	31,130	(82,066)
Cash flows from investing activities		
Acquisition of a subsidiary	-	(74,428)
Interest received	9,010	5,742
Payment for additions to:		
- investment properties	(87)	-
- property, plant and equipment	(9,406)	(6,213)
Repayment of loans by a third party	4,513	-
Repayment of loans by an associate	72,639	-
Receipt of investment return from a PRC government linked entity	-	3,567
Net cash generated from/(used in) investing activities	76,669	(71,332)
Cash flows from financing activities		
Advances from associates	9,180	-
Interest paid	(1,326)	(468)
Payment of transaction costs related to borrowings	(55)	(788)
Proceeds from bank borrowings	69,721	114,588
Repayment of bank borrowings	(155,334)	(14,748)
Net cash (used in)/generated from financing activities	(77,814)	98,584

	Three months ended 31 March	
	2016	2015
	S$'000	S$'000
Net increase/(decrease) in cash and cash equivalents	29,985	(54,814)
Cash and cash equivalents at beginning of the period	112,044	131,797
Effect of exchange rate changes on balances held in foreign currencies	(4,052)	(858)
Cash and cash equivalents at end of the period	137,977	76,125

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

The Group	**Share capital S$'000**	**Share premium S$'000**	**Statutory Reserve S$'000**	**Capital reserve S$'000**	**Foreign currency translation reserve S$'000**	**Retained earnings S$'000**	**Total attributable to equity holders of the Company S$'000**	**Non-controlling interests S$'000**	**Total equity S$'000**
At 1 January 2016	736,404	9,609	22,680	225	105,365	100,455	974,738	3,359	978,097
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	12,233	12,233	394	12,627
Other comprehensive income									
Translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	-	(35,081)	-	(35,081)	(43)	(35,124)
Share of translation differences on financial statements of foreign associates, net of tax	-	-	-	-	(42)	-	(42)	-	(42)
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	-	-	-	-	(2,040)	-	(2,040)	-	(2,040)
Total other comprehensive income	-	-	-	-	(37,163)	-	(37,163)	(43)	(37,206)
Total comprehensive income for the period	-	-	-	-	(37,163)	12,233	(24,930)	351	(24,579)
At 31 March 2016	736,404	9,609	22,680	225	68,202	112,688	949,808	3,710	953,518

The Group	Share capital S$'000	Share premium S$'000	Statutory Reserve S$'000	Capital reserve S$'000	Foreign currency translation reserve S$'000	Retained earnings S$'000	Total attributable to equity holders of the Company S$'000	Non-controlling interests S$'000	Total equity S$'000
At 1 January 2015	736,404	9,570	14,835	(1,497)	83,891	51,271	894,474	-	894,474
Total comprehensive income for the period									
Profit for the period	-	-	-	-	-	10,730	10,730	164	10,894
Other comprehensive income									
Realisation of foreign translation differences arising from liquidation of a subsidiary, net of tax	-	-	-	-	(403)	-	(403)	-	(403)
Translation differences on financial statements of foreign subsidiaries, net of tax	-	-	-	-	30,899	-	30,899	(190)	30,709
Translation differences on monetary items forming part of net investment in foreign subsidiaries, net of tax	-	-	-	-	1,908	-	1,908	-	1,908
Total other comprehensive income	-	-	-	-	32,404	-	32,404	(190)	32,214
Total comprehensive income for the period	-	-	-	-	32,404	10,730	43,134	(26)	43,108
Transaction with owners, recognised directly in equity									
Contributions by and distributions to owners									
Reversal of share issue expenses	-	39	-	-	-	-	39	-	39
Total contributions by and distributions to owners	-	39	-	-	-	-	39	-	39
Changes in ownership interests in subsidiaries									
Acquisition of a subsidiary with non-controlling interests	-	-	-	-	-	-	-	5,531	5,531
Liquidation of a subsidiary	-	-	(851)	1,722	-	(871)	-	-	-
Total changes in ownership interests in subsidiaries	-	-	(851)	1,722	-	(871)	-	5,531	5,531
Total transactions with owners of the Company	-	39	(851)	1,722	-	(871)	39	5,531	5,570
At 31 March 2015	736,404	9,609	13,984	225	116,295	61,130	937,647	5,505	943,152

The Company	Share capital S$'000	Share premium S$'000	Capital reserve S$'000	Retained earnings S$'000	Total equity S$'000
At 1 January 2016	736,404	9,821	(5,988)	33,804	774,041
Total comprehensive income for the period					
Profit for the period	-	-	-	15,384	15,384
Total comprehensive income for the period	-	-	-	15,384	15,384
At 31 March 2016	736,404	9,821	(5,988)	49,188	789,425
At 1 January 2015	736,404	9,821	245	(15,916)	730,554
Total comprehensive income for the period					
Profit for the period	-	-	-	15,272	15,272
Total comprehensive income for the period	-	-	-	15,272	15,272
At 31 March 2015	736,404	9,821	245	(644)	745,826

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's issued share capital during the three months ended 31 March 2016. As at 31 March 2016 and 31 December 2015, the issued and fully paid up share capital of the Company was US$589,814,949 comprising 589,814,949 ordinary shares of US$1 each.

There were also no outstanding convertible instruments and treasury shares as at 31 March 2016 and 31 March 2015.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued ordinary shares (excluding treasury shares) as at 31 March 2016 and 31 December 2015 is 589,814,949.

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares during the three months ended 31 March 2016.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have neither been audited nor reviewed by our auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period as that of the audited financial statements for the year ended 31 December 2015.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted various new standards, amendments to standards and interpretations that are effective for the financial period beginning on 1 January 2016. The adoption of these IFRSs did not result in any significant impact on the financial statements of the Group.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Three months ended 31 March	
	2016	**2015**
Basic and diluted earnings per share (cents)	2.07	1.82
a) Profit attributable to equity holders of the Company (S$'000)	12,233	10,730
b) Weighted average number of ordinary shares in issue:		
- basic and diluted	589,814,949	589,814,949

7. **Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:—**

(a) current financial period reported on; and
(b) immediately preceding financial year.

	The Group		The Company	
	As at 31 March 2016	**As at 31 December 2015**	**As at 31 March 2016**	**As at 31 December 2015**
Net asset value per ordinary share (cents) based on 589,814,949 issued ordinary shares (excluding treasury shares) as at 31 March 2016 and 31 December 2015	161.03	165.26	133.84	131.23

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:—**

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

<u>Group performance</u>

Revenue and cost of sales

Revenue of the Group mainly comprised revenue arising from the sale of properties, rental income from investment properties, revenue from hotel operations and interest income from the provision of property financing services. The breakdown of our revenue (net of business tax) for the period under review is as follows:

	Three months ended 31 March	
	2016 S$'000	**2015 S$'000**
Revenue from sale of properties	38,428	2,109
Rental income from investment properties	3,709	1,130
Hotel operations	825	691
Revenue from property financing	2,595	8,720
Total	45,557	12,650

Revenue of the Group in 1Q 2016, increased by S$32.9 million or 260.1%, from S$12.7 million in 1Q 2015 to S$45.6 million in 1Q 2016. The increase in 1Q 2016 is due mainly to increase in revenue from sale of properties by S$36.3 million and rental income from investment properties of S$2.6 million, offset by a decrease in revenue from property financing of S$6.1 million.

Revenue from sale of properties is recognised when the construction of the properties has been completed and ready for delivery to the purchasers pursuant to the sale and purchase agreements and collectability of related receivables is reasonably assured. The significant increase in revenue from sale of properties in 1Q 2016 compared to 1Q 2015 mainly resulted from the higher number of residential units in the Millennium Waterfront project being handed over in the current quarter (1Q 2016: 324 units, 1Q 2015: 9 units).

Rental income from investment properties increased by 228.2% or S$2.6 million, from S$1.1 million in 1Q 2015 to S$3.7 million in 1Q 2016. The increase was due mainly to a full quarter's rental income contributed in 1Q 2016 by Zuiderhof I and Arena Towers in the Netherlands which were acquired in February 2015 and June 2015 respectively.

Revenue from property financing decreased by S$6.1 million or 70.2%, from S$8.7 million in 1Q 2015 to S$2.6 million in 1Q 2016. The decrease was due mainly to the various loan defaults in December 2015 and January 2016. No interest was recognised on the S$134.6 million (RMB640.0 million) loans after the point of default.

Cost of sales mainly comprises land costs, development expenditure and cost adjustments, borrowing costs, hotel-related depreciation charge, and other related expenditure. Cost of sales increased by S$29.1 million, from S$2.1 million in 1Q 2015 to S$31.2 million in 1Q 2016. The increase in cost of sales is in line with the increase in revenue from sale of properties in 1Q 2016.

Our gross profit increased by S$3.8 million, from S$10.6 million in 1Q 2015 to S$14.4 million in 1Q 2016. The increase was due mainly to the higher gross profit generated from sale of properties of S$7.4 million and S$2.5 million from higher rental income from investment properties, which has been partially offset by lower gross profit generated from the property financing of S$6.1 million.

The Group's gross profit margin decreased from 83.6% in 1Q 2015 to 31.5% in 1Q 2016. This reflected the change in the profit composition as 18.1% of the Group's gross profit for 1Q 2016 was from the higher yielding property financing segment which contributed 100.0% gross profit margin whereas 82.4% of the total gross profit in 1Q 2015 was generated by the property financing segment.

Administrative expenses

Our administrative expenses mainly comprised staff costs, rental expenses and depreciation charge in relation to non-hotel assets, professional fees, and other expenses such as office, telecommunications and travelling expenses, stamp duties and other indirect PRC taxes.

The S$3.5 million or 94.3% increase in administrative expenses to S$7.3 million in 1Q 2016 was due mainly to legal fees of S$2.5 million in respect of the recovery of the property financing loans in default.

Selling expenses

Our selling expenses mainly comprise staff costs of our sales and marketing staff, advertising and promotion expenses, sales commissions paid to external sales agents and other expenses. These expenses increased by 87.2% or S$1.2 million, from S$1.5 million in 1Q 2015 to S$2.7 million in 1Q 2016 due mainly to activities to promote the Group's development projects.

Other (expenses)/income

In 1Q 2016, the Group recorded S$1.5 million of other expenses mainly comprising cost adjustments relating to M Hotel Chengdu and investment properties of S$1.5 million.

In 1Q 2015, the Group recorded S$4.8 million of other income mainly comprising a S$4.1 million net investment return from a PRC government linked entity and S$0.6 million of reversal of overprovision of IPO expenses.

Net finance income

Net finance income increased by 39.9% or S$1.8 million, from S$4.4 million in 1Q 2015 to S$6.2 million in 1Q 2016. This was due mainly to additional finance income of S$3.1 million from loans to FSMC NL Property Group B.V. ("FSMC"), a 33% owned associated company, partially offset by a decrease in finance income from loans to Chengdu Wenjiang government of S$1.3 million in 1Q 2016 as a result of partial repayment of loan principal.

Share of after-tax profit of associates

Share of after-tax profit of associates of S$6.8 million for 1Q 2016 related to the Group's share of results of FSMC, which was mainly attributable to a share of profit of S$6.6 million from the disposal of eight non-core properties in the Netherlands during the current quarter.

Income tax expense

The Group recorded total income tax expense of S$3.2 million on the profit before tax of S$15.9 million, which is net of a reversal of land appreciation tax of S$1.0 million. After adjusting for the share of after-tax profit of associates and the tax effect of non-deductible expenses of S$1.8 million, the effective tax rate of the Group would be approximately 27.4% for 1Q 2016.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Non-current assets

Interests in associates increased by S$6.6 million, from S$14.4 million as at 31 December 2015 to S$21.0 million as at 31 March 2016. This is due mainly to the share of profit from the disposal of non-core properties by FSMC.

Other receivables decreased by S$121.1 million, from S$310.3 million as at 31 December 2015 to S$189.2 million as at 31 March 2016. This was due mainly to the partial repayment of unsecured loans amounting to S$72.0 million by FSMC upon its disposal of non-core properties in February 2016. In addition, S$36.8 million of the loans receivable from the Chengdu Wenjiang government have been reclassified to current assets as they are due in March 2017.

Current assets

Development properties decreased by S$25.7 million, from S$660.2 million as at 31 December 2015 to S$634.5 million as at 31 March 2016, due mainly to profit recognition of Plot C of the Millennium Waterfront project, partially offset by the increase in development costs for the Star of East River project in Dongguan and the Millennium Waterfront project in Chengdu.

Trade and other receivables decreased by S$24.6 million, from S$299.5 million as at 31 December 2015 to S$274.9 million as at 31 March 2016. The decrease was due mainly to the repayment of entrusted loans amounting to S$52.6 million, bringing the total property financing loan portfolio as at 31 March 2016 to S$153.5 million (RMB730.0 million) from S$213.2 million (RMB980.0 million) as at 31 December 2015. This decrease was partially offset by the reclassification of loans receivable from the Chengdu Wenjiang government from non-current assets to current receivables.

Current liabilities

Receipts in advance decreased by S$19.8 million, from S$182.0 million as at 31 December 2015 to S$162.2 million as at 31 March 2016, due mainly to profit recognition of the Millennium Waterfront project.

Loans and borrowings

Gross bank borrowings decreased by S$88.9 million, from S$480.9 million as at 31 December 2015 to S$392.0 million as at 31 March 2016. This was due mainly to the repayment of bridging loans of S$68.9 million from the net proceeds of FSMC's disposal of its non-core properties. The Group maintained a healthy net gearing ratio of 0.27 as at 31 March 2016.

Foreign currency risk management

The Group is exposed to volatility of the RMB due to its operations in the PRC. Therefore, any depreciation in the RMB against the S$ will adversely affect the Group's earnings, net assets, value of any dividends we pay to our shareholders in S$ or require us to use more RMB funds to service the same amount of any S$ debt. Fluctuations in RMB exchange rates are affected by, amongst others, changes in political and economic conditions and the PRC's foreign exchange regime and policy.

With the Group's entry to the property market in the Netherlands, whilst the Group tries to fully hedge its currency exposure by financing all its Dutch acquisitions with euro-denominated borrowings and non-euro-denominated borrowings swapped to EUR, the Group's earnings is still exposed to the volatility of the EUR against S$ to the extent that these are unhedged.

As at 31 March 2016, the Group recorded a cumulative translation gain of S$68.2 million as part of the reserves in its shareholders' equity, even though there was a translation loss of S$37.2 million recorded in 1Q 2016. This had arisen mainly from the translation of the net assets and income and expenses of the Group's foreign operations in the PRC to S$ at the exchange rates prevailing at the end of each reporting period. The Group has been benefitting from favorable exchange rate movements between the RMB and S$ so far despite the recent volatility of the RMB against USD.

We do not currently have a formal hedging policy with respect to our foreign exchange exposure and have not used any financial hedging instruments to actively manage our foreign exchange risk. We will continue to monitor our foreign exchange exposure and may employ hedging instruments to manage our foreign exchange exposure should the need arise. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced exposure to currency volatility. There is no assurance as to the effectiveness and success of any hedging action that we might or might not take.

Statement of cash flows of the Group

Net cash generated from operating activities of S$31.1 million in 1Q 2016 was due mainly to the repayment of entrusted loans amounting to S$53.7 million (RMB250.0 million), offset by payment of income tax of S$3.9 million and payments of construction costs for the Millennium Waterfront project and Star of East River project.

Net cash generated from investing activities of S$76.7 million in 1Q 2016 consisted of the partial repayment of unsecured loans amounting to S$72.6 million by FSMC on its disposal of non-core properties, interest received of S$9.0 million in respect of the loans to Chengdu Wenjiang government, and repayment of loan principal of S$4.5 million by the Chengdu Wenjiang government, partially offset by the payments for the additions of property, plant and equipment of S$9.4 million.

Net cash used in financing activities amounted to S$77.8 million in 1Q 2016 due mainly to net repayment of bank borrowings of S$85.6 million and interest paid of S$1.3 million, partially offset by advances from associates of S$9.2 million.

Note:

The figures stated in our statement of financial position have been translated based on the exchange rates at the end of each reporting period; and the figures in our income statement, statement of comprehensive income and statement of cash flows have been translated based on the average exchange rate for the relevant period and exchange rate at the date of the transaction, where applicable.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement for the current financial period has been previously disclosed to the shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Industry Outlook

People's Republic of China

At the National People's Congress held in early March 2016, the PRC central government lowered its 2016 economic growth target to between 6.5% and 7%. It is also targeting an average economic growth of at least 6.5% for the next five years as the economy seeks to balance structural reforms, a volatile financial market and softening global trade with slower but more sustainable growth. In addition, from 1 March 2016, PBOC has reduced the required reserve ratio for banks by 0.5%, allowing more money supply into the economy.

According to data released by the National Bureau of Statistics in March 2016, the average new home prices in 70 major cities climbed 3.6% in February 2016 from a year ago. China's home prices also rose at their fastest pace in almost two years. This was driven mainly by the high demand in Tier 1 cities, particularly Shenzhen and Shanghai. The surge in housing prices in Shenzhen, which has increased by 57% year on year in February 2016, has generated a spillover effect to neighbouring cities such as Dongguan.

According to a report issued by Centaline Property Agency Limited in relation to the Dongguan property market, residential inventory turnover has further decreased from approximately 5 months in November 2015 to 4 months in January 2016.

The Netherlands

For the Eurozone, interest rates are expected to remain low as the European Central Bank ("ECB") expands and extends its quantitative easing program to March 2017. In its latest quarterly forecasts, the ECB has forecasted inflation to be 1.3% in 2017 and 1.6% in 2018. For the Eurozone gross domestic product, it forecasted growth of 1.4% in 2016, 1.7% in 2017 and 1.8% in 2018. The Eurostat report released in March 2016 predicted a six-month positive economic outlook in the Eurozone with expectations being higher in the Netherlands amongst other countries. As a result of economic growth in the Netherlands, the Savills World Research report in March 2016 expects occupier activity to increase in all markets, with possible gradual increase in rents for prime office and logistics properties in 2016.

Based on the report released in March 2016 by the Statistics Netherlands, the Dutch economy grew by 1.9% in 2015, which is well above that of its neighbouring countries such as Germany and France. The Dutch economy is expected to grow at 1.8% in 2016 and 2.0% in 2017, according to the Central Plan Bureau of the Netherlands ("CPB").

According to figures released by the Dutch Land Registry Office in March 2016, 26,773 houses were sold in the first two months of 2016, an increase by almost 27% compared to the same period in 2015. The increase is consistent with CPB's forecast of a 2.3% increase in purchasing power of all household in 2016.

These positive signs augur well for the Group's maiden residential redevelopment project in Rotterdam.

Company Outlook

Property Development

To capitalize on the positive outlook of the residential market in Dongguan, the Group will roll out the construction of Phase 1 of the Star of East River ("SoER") project as soon as possible, pending the various regulatory permits to be obtained. Assuming that main construction can start by 3Q 2016, the Group targets to launch pre-sale of the residential component of the project in early 2017.

In Chengdu, the Group will progressively handover the remaining residential blocks and start to handover the commercial units in Plot C of the Millennium Waterfront project during the year. The residential blocks in Plot A are also on track for handover by end of the year.

With regard to the Group's maiden property development project in the Netherlands held through the 33%-owned FSMC NL Property Group B.V. ("FSMC"), progress has been made on the development design front in relation to the Boompjes Rotterdam project. The current plan is to pre-sell a substantial portion of the redevelopment to a real estate fund prior to commencing construction. A few such potential buyers have also been identified.

Property Holding

The Group has entered into long term hotel management contracts with InterContinental Hotels Group (Shanghai) Ltd on 22 April 2016 to operate the two hotels of the Millennium Waterfront project in Wenjiang, Chengdu. The hotels are set to be branded as Crowne Plaza and Holiday Inn Express with the proposed hotel names of Crowne Plaza Chengdu Wenjiang and Holiday Inn Express Chengdu Wenjiang Hotspring respectively.

FSMC has successfully completed the disposal of eight out of nine non-core properties in its portfolio ("DL Portfolio"). Pursuant to a further review of the DL Portfolio, a property previously identified for redevelopment has been further ear-marked as a non-core property. FSMC will work towards repeating another profitable sale of the remaining two non-core properties in the DL Portfolio.

Negotiations with several existing tenants for lease extension and potential new leases are ongoing for the Dutch property holding portfolio of the Group.

Property Financing

For the RMB470.0 million (S$98.8 million) problematic loan case relating to eight related loans, the Group has called for an event of default and initiated legal action. In addition, first preservation orders have been placed over the first legal mortgaged property collaterals and the guarantors' assets, which include high end offices and luxury residential apartments located in prime locations in Beijing, Shanghai, Guangzhou and Chengdu. The loan-to-value ratio ("LTV"), based on the first preservation orders placed over the first legal mortgaged property collaterals and unencumbered properties of the guarantors, is less than 25%. For prudence, the aforesaid LTV has not ascribed any value to the first preservation orders that the Group has placed over the equity interest of various companies, cars, bank accounts and other properties with third party mortgages owned by the guarantors. This means that the Group is more than 4 times covered for every dollar of the loans in default. The borrowers have since taken pro-active steps to engage the Group in working out an amicable commercial solution to repay the loans, penalty interest and associated expenses. In addition, court hearings for some of these default loans have been held. No ruling has been issued to date.

For the RMB170.0 million (S$35.8 million) problematic loan case, a court hearing was conducted on 13 April 2016. The Group hopes to receive a favourable ruling from the court soon in order to commence the foreclosure sale of the properties placed under the first preservation orders, including the first legal mortgaged property in the CBD of Pudong, Shanghai. The estimated LTV for this loan is approximately 48.0%. As the legal representative of the borrower is still under arrest by the Public Security Bureau, no commercial discussion is possible.

11. If a decision regarding dividend has been made:—

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

No.

(b) Corresponding Period of the Immediately Preceding Financial Year
Any dividend declared for the corresponding period of the immediately preceding financial year?

No dividend was declared for the corresponding period of the immediately preceding financial year.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared (recommended), a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a shareholders' general mandate for IPTs.

14. CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL OF ITS DIRECTORS AND EXECUTIVE OFFICERS (IN THE FORMAT SET OUT IN APPENDIX 7.7) UNDER RULE 720(1)

The Company confirms that it has procured undertakings from all of its directors and executive officers in the format set out in Appendix 7.7 under Rule 720 (1) of the Listing Manual.

BY ORDER OF THE BOARD

Neo Teck Pheng
Group Chief Executive Officer
27 April 2016

CONFIRMATION BY THE BOARD

The Directors of the Company hereby confirm, to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the Group's unaudited financial results for the three months ended 31 March 2016 to be false or misleading in any material respect.

On behalf of the Board of Directors

Ho Han Leong Calvin Chairman	Neo Teck Pheng Group Chief Executive Officer

27 April 2016